



City Research Online

City St George's, University of London

Citation: Palan, R. (2013). New trends in global political economy. In: Global Political Economy. (pp. 1-18). Taylor and Francis. ISBN 9780203097762 doi: 10.4324/9780203097762

This is the accepted version of the paper.

This version of the publication may differ from the final published version. To cite this item please consult the publisher's version.

Permanent repository link: <https://city-ref-test.eprints-hosting.org/id/eprint/8664/>

Link to published version: <https://doi.org/10.4324/9780203097762>

Copyright and Reuse: Copyright and Moral Rights remain with the author(s) and/or copyright holders. Copies of full items can be used for personal research or study, educational, or not-for-profit purposes without prior permission or charge, unless otherwise indicated, provided that the authors, title and full bibliographic details are credited, a hyperlink and/or URL is given for the original metadata page and the content is not changed in any way. For full details of reuse please refer to [City Research Online policy](#).

1 **New Trends in Global Political Economy**

Ronen Palanⁱ

Four decades after the emergence of International Political Economy (IPE) in the early 1970s as a branch of International scholarship (Cohen 2008, Denmark & O'Brien 1997; Gill and Law 1988), the nature, boundaries and intellectual ancestries of this field of study are still hotly disputed. Even the label IPE is under dispute: Gill and Law (1988: xxiii), for instance, prefer the term 'Global Political Economy' (GPE), privileging the global arena over inter-national relationships. Nowadays the two labels are used interchangeably, although the denomination IPE is generally adopted by those who view this field of study as a sub-field of political science and International Relations, whereas GPE is normally the preferred label for those who view it as a transdisciplinary effort, closer to political economy than to International Relations. I will use the GPE label in this introductory chapter.

Behind the veneer of contestation, IPE or GPE represents a community of scholars from a variety of social sciences discipline that share something important in common. It is easier, however, to describe what they share in common in negative terms, as a critique of other approaches, whereas it is more difficult to agree upon much else. I tend to think of the field of IPE/GPE, therefore, not as a distinct academic discipline, but as a suggestive research program that brings together studies from a range of social sciences disciplines that either implicitly or explicitly take seriously two set of propositions.

- First: that an international economy that operates in an environment that is divided among sovereign states of various power and size is profoundly different from an international economy that inhabits some abstract and integrated space imagined in conventional international economics textbooks
- Second: that the dynamics of political action in a world of that is witnessing an increasingly integrated and integrating economy is very different from the one imagined in conventional political science and international relations.

How different is that the 'real' world of a global political economy that operates in a state system from the one imagined by economists and/or conventional political science/international relations, and more crucially, how should we go about conceptualizing the differences has never been settled.

In very broad terms, GPE approached the conundrums of global political economy from two related perspectives: From a broad theoretical perspective that serve the 'general theoretical orientations' (Katzenstein, Keohane and Krasner ? **?..) in political economy, and from related development in key themes or concepts in the field, such as the state, power, capital, trade, finance and so on. As GPE is closely related to political economy, it also adopted with various degree of success the four general theoretical orientations that have dominated political economy. These are standard economics, sometimes referred to as neoclassical economics; Marxian or radical political economy, evolutionary political economy (or evolutionary institutionalism), and the least known, but equally important, libidinal political economy. Standard economics make up the current orthodoxy in the field of

IPE; the rest fill the contested area that is heterodoxy in GPE. The four general theoretical orientations often diverge on issues of substance, but also on the questions of philosophy, methodology and ethics.

Standard economics and Marxist political economies tend to share, however, in the words of Gammon and Wigan (chapter 16), the rationality postulate, which ‘views motivation in terms of pleasure seeking and pain avoidance.’ Standard economics and Marxist political economy diverge, however, on the sort of questions they believe must be at the core questions of GPE. Standard GPE addresses questions such as: Why states fail to pursue the optimal course of action by imposing tariffs on their trading partners’ goods and services ? (Carlson, Dacey, chapter 8); what explains the decisions made by individuals over economic issues? (Elms, chapter 9); what is the role of institutions in shaping economic behaviour (Spruyt, chapter 10). Marxist theory, in contrast, is concerned primarily with processes of exploitation and asymmetrical access to power and resources on a global scale (Dunford chapter 12; Overbeek, chapter 13). Evolutionary approaches, in contrast, tend to view the acquisitive individual, or homo economicus of standard economics, as representative of a certain historical ‘habits of thought’, and hence not a particularly useful starting point of investigation (Nitzan and Bichler, chapter 4; Schwartz, chapter 12, and to some extent, Broome, chapter 15). Whereas libidinal theories question the basic assumptions of standard economic: they question whether individuals are maximising anything in particular. Instead, they believe, that individuals are strategising to achieve the conditions that Freud described as

primary narcissism (Gammon and Wigan, chapter 16 and Ling, chapter 19). Each of these general orientation yields, unsurprisingly, very different perspectives on the world.

The four general theoretical orientations tend to diverge also on other fundamental questions, for instance, on the nature and meaning of capitalism and capital. Standard economics regards capitalism essentially as a market economy (contrasts, for instance, with a planned economy). The institution of the market is seen as one of the greatest achievements of humanity. Markets techniques of organization and co-ordination of human societies based on the free interchange of communication between people. The freer the exchange, the better they function. Standard economics share much more with libidinal economy than may appear at first glance. Both view markets essentially as 'economies of desire'. Markets are communication devices employing the medium of the prices mechanism to transmit and communicate people's desires for goods, services or non-material values. The theories diverge, however, in their reading of what desires are about, and how individual express them. Standard economics believes that individuals are trying to maximize their lot, mostly material lot, in this world. Libidinal economists asks, if that is so, why then so many individuals appear to desire their own oppression or even their personal annihilation? Why do so many people seem to be prepared to sacrifice their own life, in name of abstract concepts such as God, the nation or the working classes?

Marxists, in contrast, view capitalism as a variant on an existential theme,

the theme of exploitation by one (group) of people by another. World history – that is the history of sedentary people – is a history of class struggle. And we are still struggling today. Evolutionary economists believe, in contrast, that the concept of capitalism is a misnomer. Capitalism has evolved towards the end of the nineteenth century into something else. They call it, business civilization. Businesses are viewed as ‘going concerns’, and capital nowadays is primarily ‘intangible’, representing what in accounting and legal language is defined as ‘goodwill’. Intangible capital is denominated as the capitalization of business concerns based on their anticipated earnings discounted against current rate of interests. Today, business and the businessmen, and their techniques of buying and selling dominates the ‘economic’ agenda (Nitzan and Bichler, 4).

Standard economics derived IPE is broadly associated with the ‘American school in IPE’: meticulous, exact, and parsimonious. This school has tended to stress analytical rigorousness over conceptual innovation, critical methodological thoroughness at the cost of asking some of the ‘big questions’ of the nature of the status quo of our time (Cohen 2008). The rest, Marxian, evolutionary institutionalists and libidinal theories, have tended, on the whole to be associated with the ‘British’ or continental schools (although the evolutionary approach were very American to start with). They tend to stress conceptual innovation (sometimes) at the cost of some analytical clarity; preferring to answer ‘big questions’, but not necessarily new answers to the traditional questions of economics or politics.

We have, therefore, many approaches to choose from in the study of GPE.

Should we pay attention to all four? Most GPE textbooks clearly favor one over the rest. I tend to be pragmatic on such matters: I ask whether the whole is more than the sum of its parts? I think it is. Hence, I think that we should pay attention to recent developments among the four. Indeed, it is noticeable how the combined effects of the two sets of related theoretical developments (among the general theoretical orientations, and specific research programs) have shifted our understanding of the nature of the global political economy since the publications of the first edition of this volume in 2000. The change in perspectives are due partly to the tremendous developments in the world ‘out there’; but partially because of (often) grudging acceptance of the validity of some of the arguments put forwards by each other – for example, the concept of GPE is now increasingly acceptable to both orthodoxy and heterodoxy (Lake) ; whereas formalism that was nearly the exclusive terrain of orthodoxy is now adopted increasingly by heterodoxy as well.

And then, there are important issues that concern us all. There are diverse topics: changes in the nature of the state (Moore, chapter 2), business and the corporation (Phillips, chapter 3) power and capital (Nitzan and Bichler., chapter 4), labour (O’Brien, chapter 5), finance (Nesvetailova, chapter 6), Globalization (McMichael, chapter 7), ecology (Dalby, Katz-Rosene, Paterson, chapter 15), the rise of China (Beeson, chapter 18), and the future of alternative politics (Ling, chapter 19).

I also think that an informed reader would like... well, to be informed, before they reach their own conclusion. This volume is intended, therefore, to serve

precisely such purpose. This volume charts this shifting zonal terrain that marks the outer boundaries of contemporary European, American and developmental in IPE and GPE. Our intention here is not to adjudicate among competing approaches, but to inform and educate the reader who may find it difficult to keep abreast of the range of scholarship that is relevant to contemporary GPE scholarship. A cursory acquaintance with GPE reveals it to be a broad and somewhat inchoate field of study. While the great majority of GPE texts still give the impression of a field divided into three, so-called ‘paradigms’, realism, liberalism and structuralism, it is evident that contemporary GPE has by and large moved on to a considerable degree. GPE has absorbed and, in turn, has been absorbed into, the broader trends in the social sciences loosening in the process its ties to the discipline of International Relations. As a result, the *main* division lines in contemporary GPE no longer trail International Relations' controversies, but reflect broader issues and contemporary debates in political economy and the social sciences.

This introductory chapter maps out contemporary debates in GPE. I stress in particular the rising in significance of the methodological debate between, on the one hand, rationalist and methodologically individualist approaches, and on the other, the critical or post-rationalist traditions.ⁱⁱ The book is divided into three parts. Part one focuses on six of the central concepts of GPE: state, firm, capital, power, labour and globalisation, each of which is increasingly subjected to a rigorous and critical evaluation. These are not necessarily the six fundamental concepts of GPE, but they are the six that have been the subject of the greatest

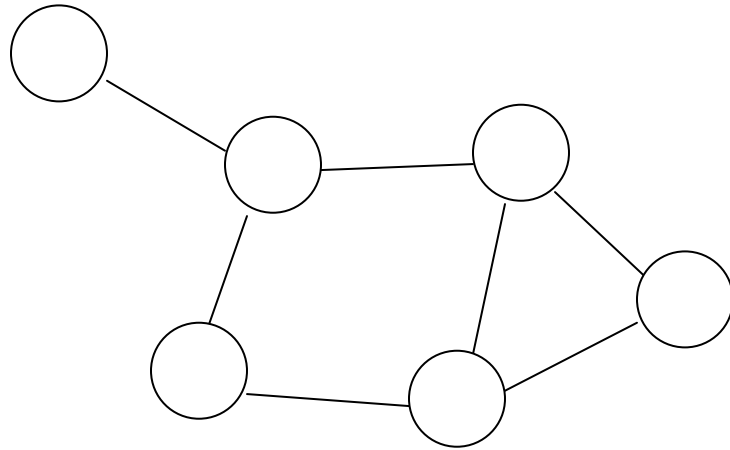
debate and innovation in the past two decades. Part Two covers a select number of theories, currently at the forefront of GPE. These theories and approaches are drawn from the three broad traditions of rationalism, Marxism and institutionalism. Part III discusses some of the important issues, issues that are likely to dominate future agenda: ecology,

1.1 The Epistemological Foundations of Orthodoxy and Heterodoxy

At one level, the debates that is taking place in GPE replicate important debates in the social sciences more generally. The concern the utility of salience of a range of approaches that are described as orthodoxy, and a range of approaches that are described as heterodoxy. The dispute is largely of epistemological nature, although in more practical terms, it takes shape as a methodological debate. At its core, the dispute is about the most efficient and useful ways by which we should go about investigating the nature of the ‘units’ out there, and the relationship they establish between them over time.

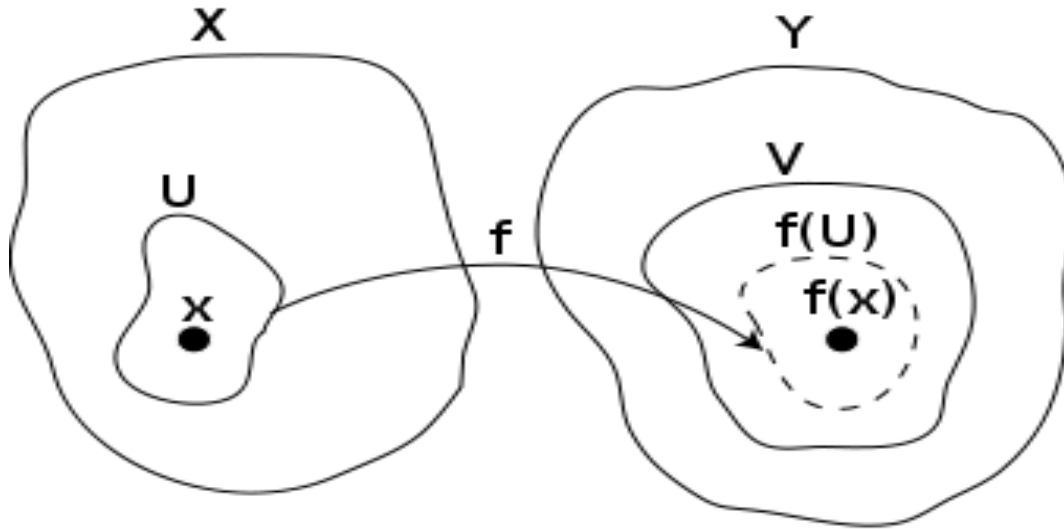
Orthodoxy in the social sciences is predicated on the assumption that the best available methodologies are drawn from a genre of theories that mathematicians call discrete graph theory. Discrete graph theory is a branch of mathematics and logic that is dealing with objects that can assume only distinct, separated values (like discrete numbers, 1,2,3 and so on). (For excellent discussion see: Easeley and Kleinberg 2010).

Figure 1: Discrete Mathematic Graphs (Wilson and Watson 1989).



Discrete graph theory is contrasted with another branch of graph theory called, ‘continuous graph theory.’ Continuous graph theory deals with objects that can vary smoothly like liquefied or gaseous topological forms. In other words, objects of irregular shape and size. It also deals with cases of species sharing a habitat, how each develops its own ecological niche between and among the different species (See Graph II).

Figure 2: Continuous Graph



Many of the important debates in the social sciences broadly, and GPE specifically, are concerned with the utility and scope of discrete graphs as explanation of the behaviour of people and organisations (such as states or firms) that populate our mental images of the social world. Orthodoxy is associated in the social science, on the whole, with covering law type of generalizations based on correlations, statistical probabilities or even intuition, attributing universal behavioural characteristics to discrete entities. Charles Tilly describes covering law accounts in the following terms: ‘In covering law accounts, explanation consists of subjecting robust empirical generalizations to higher- and higher-level generalizations, the most general of all standing as laws... Investigators search for necessary and sufficient conditions of stipulated outcomes, those outcomes often conceived of as dependent variables’ (Tilly 2001, 23). Formal modelling techniques, quantification and methodological questions tend to dominate orthodox inquiries of behaviour in the social world.

While the precise meaning of heterodoxy in the social science is contested, broadly, heterodoxy theories are founded on the assumption that the ‘units’ of the social world, be they individuals, states or any other organisations are driven by diverse, often conflicting sets of motivations and rationales. Causation in a social world has to be demonstrated inductively, rather than deductively. Social scientific inquiry is descriptive (or historical), open-ended, *empirical* and *continuous*.

Redding’s points out to three shared core assumptions that define the heterodox position: they sound like description of Graph II:

- (a) There are multiple and complex connections and constant flows of reciprocal influences between social phenomena.
- (b) The phenomena themselves change over time.
- (c) Social systems are open to new external influences that affect them as they evolve. So because the social world is in constant flux, attempts to understand it based on Newtonian physics [e.g. discrete graph models], where units of analysis are fixed and relations between them permanent are misapplied (Redding 2005, 128).

Many heterodox scholars maintain, furthermore, that the social sciences are ‘second-order fields, in that they can only study phenomena through the medium of people’s conceptions of what is going on’ (Redding, 2005, 128). The medium of thinking and language is considered opaque. That is, the diverse techniques that structure or determine the way by which humans produce a mental picture of the world ‘out there,’ such as narratives rules, imagination and ideology, are considered

salient to the investigative process itself (Cameron and Palan 2004).

Heterodox scholars have tended to use formal modelling techniques less frequently than orthodox scholars. That may partly do with the technical difficulties most of us are having with complexities of continuous graph theory, but also due to an intuitive belief that the complexities of the social world are best approached historically and empirically.

Where Orthodoxy Is Heading to Today: Beyond State and Firm

In a talk given at the 1996 annual conference of the European Association for Evolutionary Political Economy Paul Krugman defines economics in the following terms:

- “1. Economics is about what ‘individuals’ do: not classes, not ‘correlations of forces’, but individual actors. This is not to deny the relevance of higher levels of analysis, but they must be grounded in individual behavior. Methodological individualism is of the essence.
2. The individuals are self-interested. There is nothing in economics that inherently prevents us from allowing people to derive satisfaction from others' consumption, but the predictive power of economic theory comes from the presumption that normally people care about themselves.
3. The individuals are intelligent: obvious opportunities for gain are not

neglected. Hundred-dollar bills do not lie unattended in the street for very long.

4. We are concerned with the 'interaction' of such individuals: Most interesting economic theory, from supply and demand on, is about the 'invisible hand'; processes in which the collective outcome is not what individuals intended.' (Krugman, 1996, 2).

Krugman alludes to a particular tradition of political economy that has evolved out of economics when he talks about 'higher levels of analysis.' The reference is to the fledgling field of economic approaches to politics or as it sometimes called, 'new political economy' -- a very different set of literature to the 'new international political economy' that Murphy and Tooze (1991) espouse. These are sets of theories that adopt neoclassical conceptual armouary to explain the determinants of policymaking (or preference formation). For example, new political economy state theory maintains that government policies can be explained with the aid of concepts such as marginalism, optimization, equilibrium (Meier 1990,185). As opposed to conventional International Relations, the new political economy disaggregates the state and views it as 'simply another of the myriad institutions contained in any society, owned of necessity by certain individuals and not by others (Auster and Silver 1979:21). The state however is a privileged institution. Domestically, the state behaves as a 'natural monopoly' and the 'surplus' that the state maximizes is a sort of a monopoly 'rent' that the sovereign can enjoy. As a result, the surplus that the state garners attracts hordes of office-seekers and other interests anxious to get

their hands on it.

The state is viewed therefore as an exogenous factor introducing friction and disequilibrium into the proper functioning of the market. Markets, alas, never work as they are supposed to in theory because of the tremendous impacts states are having. Among OECD countries, for instance, nearly 40% of GDP is routed, in one way or another, through the state. Whereas states have gobbled considerable portions of markets, large firms swallowed a good portion of the rest (Phillips, chapter 3). A pure theory of markets is simply unrealistic in such conditions.

At the same time, politicians cannot ignore the political imperatives produced by the markets as well, even if these markets are dominated by hierarchies. In modern capitalist economies, 'the entire society depends on the allocation of resources chosen by owners of capital... continues with the inference that because the entire society depends on the owners of capital, so must the state.' (Pres. **12) So whereas political science and international relations assume that 'particular governments have interests and goals of their own or they act on behalf of a coalition of groups or a class, the pursuit of any objectives that require material resources places governments in the situation of structural dependence. Politicians seeking re-election must anticipate the impact of their policies on the decisions of firms because these decisions affect employment, inflation, and personal income of voters: vote-seeking politicians are dependent on owners of capital because voters are' (12).

States can hardly be assumed independent, the way some IR theorists have

tended to assume. The pure theories of politics and economics tell us very little about actual behaviour. The field of IPE (and increasingly GPE) seek to bridge that divide between theory and reality. Conceptually, the field start from the assumption, in the words of Robert Gilpin, that

"The parallel existence and mutual interaction of 'state' and 'market' in the modern world create 'political economy'... In the absence of state, the price mechanism and market forces would determine the outcome of economic activities; this would be the pure world of the economist. In the absence of market, the state or its equivalent would allocate economic resources; this would be the pure world of political scientist" (Gilpin 1987 p.8).ⁱⁱⁱ

1.4. Marxian Political Economy

Marxist theory never accepted the conventional dividing lines of academia and certainly never adopted the analytical division between domestic and international politics. If anything, Marxism proceeds from a unified theory of political economy, a global political economy. For Marxism the central institution of the modern world is capital and hence the dominant social institution is that of capitalism.

Capitalism is defined as a social system based on the profit motive and the dominance of commodity relations, including the commodification of labour. The rise of capitalism as the dominant social institution entailed a set of profound

socioeconomic transformations, including the dominance of contractual relationship over familial and coercive relationships, the rise of capitalist law and the capitalist state. One strand of Marxism maintains, rather problematically, that political and ‘cultural’ transformations are the unwitting results of the rise of capitalism. In other words, societal, political and ideological transformations are merely by-products of the changing ‘material conditions of life.’ Modern Marxist thought strives however to transcend this base/superstructure model with a more nuanced historical and holistic political economic accounts.

Marx viewed capitalism as a particular ‘logic’ that imposes itself historically. Capital was first and foremost a self-expanding value. Capitalism expands in a series of waves: at certain historical periods capitalism tends to expand spatially penetrating new and distant markets. In other periods, capitalism deepens its grip on social life. These two types of expansionary tendencies can form the background of an holistic account of diverse developments, from the colonialism of 19th century capitalism, to the formation of the Bretton Woods system in the 20th century and the rise of globalization towards the 21st century (McMichael, chapter 7). At the same time, Marxist political economy also accounts for the deepening of capitalist social relations and the extension and commodification of all aspects of social life. With its emphasis on capital, Marxist political economy, therefore, subsumes GPE within a broader theory of society and history. In fact, since the 1930s, Marxist thinkers like Benjamin, Adorno and Horkheimer, and more recently Deleuze and Guattari and Hardt and Negri were predicating what Lyotard (1986) called the

‘post-modern’ condition as the furthest extension of subsumption of society under capital.

Marxist GPE analyses institutions in three ways:

(A) While new institutionalism views institutions as historically emergent solutions to market failure (Spruyt, this volume), Marxists view institutions primarily as forms of the institutionalization of power (Poulantzas 1968). According to this theory, social classes entrench their gains by normalizing and institutionalizing them. Institutions contain therefore layer upon layer of embedded class gains. In time, these gains are so deeply entrenched that institutions such as the state, the family, the firm and the like, appear to be class neutral and are widely accepted as such. We need to reflect carefully upon persistent inequalities and power differentials to begin to unravel the class nature of these institutions and the manner by which they ensure the persistence of power differentials.

(B) Contemporary Marxist theory maintains however that institutions cannot be reduced exclusively to the above; they are, in addition representative of the complex manner of the changing nature of the material base. The institutional constitution of the contract, private property, democracy and so on are not directly determined by capital, but *over-determined* by the central institution of capital.

(C) In addition, certain key institutions, particularly the state, have an important remedial role to play in class divided societies. The state cannot be viewed simply as the epiphenomenon of the materialist base, or simply as a tool in the hands of the ruling class. The state has evolved structures that contribute to the long-term

survival of capitalist relationships. So the state entrenches ruling class power and interest and yet at the same time it must remain relatively autonomous of these interests (Poulantzas 1968).

With its emphasis on the complex, class-based nature of institutions, Marxism provides GPE with two strong hypotheses. The first concerns the issue of development, which is central to all branches of political economy. For neoclassical development theory the solution to development is quite simple: let market forces do their job. Considering the relatively low level of industrialization among the less developed countries, the law of diminishing returns suggests that the bulk of international investment should have been directed towards third world countries.

The law of diminishing return predicts therefore faster rate of economic growth among the less developed countries. This, of course, has not happened until fairly recently. On the contrary, the post-war world economy exhibited traditional patterns of concentration and centralization of capital. In one interpretation, the one favoured by the World Bank, the IMF and so on, such disturbing counterfactual evidence does not invalidate the law of diminishing return or the broader theoretical edifice of 'developmental economics.' On the contrary, the failure of development is due (again!) to 'exogenous factors, ' namely, the failure of third world countries' to develop appropriate political systems. Thus, modernization theory, which is closely allied to neoclassical economics, prescribes changes in the domestic political system of developing countries combined with open markets and free competition worldwide. In this light recent development of emerging markets

forces profound rethink of Marxist thought (Dunford; Beeson).

Marxism maintains however the centrality of the law of uneven development so that 'imperialist expansion on the one hand, and monopolistic developments on the other, give a new lease of life to the capital system, markedly delaying the time of its saturation' (Mészáros 1995,34). The ideal of global market equilibrium is delayed and 'sabotaged' in order to ensure higher profits margins. In a number of ways, neo-Marxism introduces then the issue of hierarchy and power into the analysis of the world economy. Thus, in contrast to Keynes' 'frightful muddles,' Marxism incorporates into the core of its theoretical edifice precisely those elements that economics treats as 'exogenous' or contingent. As a result it reaches diametrically opposed conclusions to those favoured by standard economics.

The second strong Marxist hypothesis concerns the issue of transnational or so-called global governance. Marxism reminds us that bourgeois ideology seeks to eliminate labour from the analysis. Growth and economic welfare is attributed to the invisible hand of the market, to the acumen of the modern CEO, to the successful policies of government, to technology, but certainly not to the sweat and toil of the millions upon millions of worker that make up the 'economic system'. But labour is the 'hidden' substructure of the modern economy, both as the true producer of goods and services and the ignored but ever-present face of resistance. Michel Aglietta argues that classical Marxists failed to appreciate that labour-power is not a commodity like all the others (Aglietta 1979, 46). In contrast to the homogenised or 'fungible' nature of the commodity-form, labour-power can be

incorporated into capital as wage-labour only in certain *definite* labour processes. Consequently, society, which includes social and political relationship is pivotal to the organisation of labour and hence cannot be considered ‘external’ or exogenous to the economic system. The question of global governance, then, is the question of the global *governance of labour* and the maintenance of transnational class hierarchies (see O'Brien this volume). Indeed, the French school of regulation with its focus on the relationship between capital and labour explains to us why an already transnational capitalism takes a sudden ‘national’ turn in the 1930s and only from the 1970s has become ‘global’ again.

Marxism then provides GPE with a critical and holistic interpretation of the modern economy as a *global political economy*, viewed as a set of structures, patterns and relationships that can only be understood with the aid of a political-economic, as opposed to either political or economic interpretation.

1.5. The Return of Institutionalism

In ‘the legal foundations of capitalism’, John Commons distinguish among three traditions of economic thought: classical economics of Adam Smith, David Ricardo and Karl Marx centered on production and the commodity, the ‘hedonist economists’ such as Bantham, Senior, Jevons, Clark, who concerned themselves with the subjective side of economic theory,^{iv} and volitional theories of economics associated with thinkers such as Hume, Malthus, Carey, Bastiat, Cassel, Anderson, and especially, the Supreme Court of the United State. Volitional, or as it is now called,

evolutionary economics, 'start, not with a commodity or with a feeling, but with the purposes of the future, revealing themselves in rules of conduct governing transactions which give rise to rights, duties, liberties, private property, governments and associations' (Commons 1959:4).

John Common and Thorstein Veblen are the high priests of this tradition. They argue persuasively that towards the end of the 19th century, the law Courts in the United States have effectively altered the nature of private property laws, and by doing orchestrated a mutation in the institutional framework of capitalist economy, ushering quite distinct form of capitalism from the one described by Marx. Private property turned from an exclusive right to holding of *physical objects* for the owner's private uses, to a principle of control of limited resources needed by others.^v Such property is in essence 'intangible'.

According to Commons, these momentous events took place between the years 1872 and 1897. In a number of important rulings the US law Courts effectively altered the traditional meaning of property which meant 'any tangible thing owned' to mean, 'any of the expected activities implied with regard to the thing owned', 'comprehended in the activities of acquiring, using and disposing of the thing. One is Property, the other is Business. The one is property in the sense of the Things owned the other is property in the sense of exchange-value of things. One is physical objects, the other is marketable assets' (1959, 18). The original meaning of property, the owning of things, did not disappear, but was relegated to what may be described as the internal 'economy' of a going concern (the firm) or a household. Our

perception of our personal private property still corresponds, by and large, to the older, corporeal view of property. Modern capitalism however is concerned almost exclusively with the non-corporeal property. General Motors's management and shareholders, for instance, are not particularly concerned with the use-value of GM cars, machine tools and so on, but with their exchange-value, their marketability. But as Nitzan and Bichler note: 'exchange-value is not corporeal- it is behaviorist. It is the market value expected to be obtained in exchange for the thing in any of the markets where the thing can or might be sold.' The value of one's holding becomes capitalized earning capacity (Nitzan and Bichler, this volume)..

What is the value of a company, say, IBM? Is it the value of IBM is an aggregation of the values of its machines, real estate, 'knowledge' and managerial practices? Classical political economy and Marxism appear to suggest so. There is however another way of measuring the value of IBM and that is, its valuation of the company in the stock market. What determines the latest market value of an IBM share? The price is determined by what buyers are prepared to pay for these shares. Buyers reach their decision primarily on the basis of their estimate either of the company's future earning capacity or their perception of other buyers' perception of the company's future earning capacity. In other words, the value of IBM is entirely subjective. The value of IBM, therefore, is an entirely 'subjective' proposition; it is based on aggregate estimates of the future and not on any corporeal assets. Accountants define the difference between replacement value of company's asset, and its value in the market (which tends to be higher—although interestingly, in

crisis times such as the one experienced as I write this words, some companies trade at lower rate than the replacement value of their assets!) as ‘good will’. It is estimated that the vast majority of wealth in the world is in fact denominated in ‘good will’.

These ideas then form the theoretical underpinnings of evolutionary economics, the implication of which are discussed in particular in chapters by Phillips, Nitzan and Bichler and Schwartz. The question that neither Commons nor Veblen sought to answer was whether the changes in the concept of private property and the concomitant transformation of capitalism can be described purely in institutionalist terms, or whether there were some 'exogenous' material interests that determined the sort of choices that were made. Was it not the case, as Hardt and Negri (1994) argue that jurists were actively seeking to *accommodate* the needs of capitalist accumulation? Is it not the case, after all, that a Marxist political economic theory can accommodate Veblenian institutionalism? This remains an open question. But the perception of the market as an institution has become central to modern GPE.

1.6 Towards post-rationalist GPE^{vi}

Although different, the three ‘residues’ of classical political economy share rationalist epistemology – although even that is debated with regards to the evolutionary approaches. State or transnational firms are assumed to be rational, calculating ‘actors’, with clear - usually utility-maximising - preferences and goals

(from power to profits). Differences in opinion tend to focus on whether the actors are individuals or institutions and whether the choices are constrained or not by information and knowledge gap or uncertainty. But what if everyday, recurring, phenomena which imply that the world is not a rational order driven by a set of universal rules, iron laws, or systemic logic?

There is evidence for a growing interest in post-rationalist (not anti-rationalist) modes of explanations in GPE. Post-rationalism consists of sets of theories that explain order - and disorder - as the product of institutional and historical continuity, formal and informal rules of conduct, social and institutional interaction, common pathologies, consciousness and language, conflict and contest, and so on.

Broadly speaking, post-rationalist GPE adopts an open-ended historical narrative in which outcomes are not predictable, but negotiated and contested, with each actor-network perpetually frightened of loss or stasis. States and multinational enterprises are viewed no longer simply as instrumentalist advantage-maximising institutions, but as complex organisations which exceed their goals and functions, but in non-utilitarian ways. Their language, their scripts, their histories, their techno-structures and artefacts matter; analysis of which reveals them to be trapped in their own evolutionary logic but also constantly at work to renew themselves. Consequently, we have witnessed the 'opening up' of GPE from its economistic and material base to broader question of history and culture.

For such post-rationalist GPE, which is a truly diverse and broad movement,

the significance of Foucault's work in particular cannot be underestimated. Among other things Foucault problematised the concept of agency in a way that places Marxism (after Marx) and mainstream political economy firmly in the camp of 'rationalism'. Foucault's studies of power and discipline have demonstrated that historical change comes about at least in part through collective agencies that cannot be defined as institutions or as social classes, but are contingent forms of alliances and identities emergent in discourse. In *Discipline and Punish* (1977), for instance, Foucault identifies a group of reformers that innovate new forms of discipline and power. These 'regional' studies then provided the basis for his research into the history of subjectivity, or the very historical conditions that have produced the modern subject and modern rationality as the underlying 'infrastructure' of modern capitalism.

Today's critical wing of global political economy is a mixture but not a synthesis of Marxist, institutionalist and poststructuralist thought. Marxism provides us with a strong hypothesis of about the long-term trajectories of capitalism. But Marxism has proved particularly weak in predicting or prescribing short to medium term trends. The challenge then is to bridge the broad social critique of Marxism with the robust empirical bent of institutionalism and post-structuralism.

1.7. Between economics, political economy and global political economy

Ortodoxy and heterodoxy have adopted diametrically opposed views of the nature and purpose of interdisciplinary research, their conception of the nature and boundaries of GPE differs as well. To the rationalists, particularly to methodological individualist GPE, the boundary between GPE and other disciplines is clearer: GPE is a sub-field of International Relations and political science which stands at the intersection between domestic and international politics, on the one hand, and trade and finance, on the other. However, as Carlson (chapter 8) notes, in recognition of the fact that states do not engage in trade, individuals and firms do, states only determine the terms of trade, contemporary rationalist GPE has tended to disaggregate states and encompass 'domestic' determinant of trade policy.

The broadly critical tradition in the social sciences is naturally attracted to holistic interpretations of social relations. The assumption being that there are totalising processes driven by a predominant logic which we call capitalism, and that such totalising processes manifest themselves in all aspect of social life. The critical traditions maintains therefore that there is no point in studying each facet of social life as an independent system of relationships -- for the simple reason that they are not independent but interdependent. Consequently the critical traditions does not accept the analytical legitimacy of formal academic divisions. The critical tradition is then divided between its rationalist and post-rationalist wings.

There is a subtle but important difference between totalising processes and the concept of a totality. Totalising means, a system of thought and practices which seeks to universalise and dominate its surroundings, such systems are

expansionary but they never truly obtain their aim: they never create a truly total system. In that case there is no one neither concept, nor one set of dynamics or rationale that can provide a full or even partial explanation for even events.

Everything is complex and multifaceted. Consequently, a system of thought that is grounded in the assumption of totalising processes is evolutionary, historicist, non-teleological and often accepting of eclecticism; a system of thought premised on the assumption that the world 'out there' is a totality, a whole, tends to privilege homeostasis, equilibrium and lack of history. Political economy that seeks to incorporate all these variables and more specifically, apply them in a systemic study of the economic system tends to be critical, evolutionary and dynamic.

We can see now how the notion of totalising processes forces a distinct interpretation of the relationship between GPE and political economy. Since there is no one global system (a totality), the international cannot be treated as a separate realm, but as an important ingredient of societal theories. And yet, the uniqueness of the institution of the state and sovereignty should not be ignored. Consequently, political economy in principle is indistinguishable from international political economy, in the sense that good political economy is international in character and vice versa. But if we were to insist on a distinction, then I would argue that while political economy is grounded in a theory of the State, critical GPE supplements it by offering a theory of states, of the plurality of states, or more appropriately, critical GPE seek to develop a theory of the nature of a transnational economy operating within a system of fragmented political authority. Whereas political

economy has tended to concentrate on the analytical as well as prescriptive question of how order and change come about in a ‘social formation’ – its theorising is predicated on the assumption that each social formation is subject to its own autonomous set of dynamics, critical international or global political economy changes the order of question, it ask how order and change come about in a system of fragmented political authority. The very discontinuity between the political and economic spaces is one of major sources of continuing change in the international political economy.

Although deeply divided and heterogeneous, there is still therefore a line threading its way through the fascinating maze of conflicting and multifaceted topography of the social sciences and political economy, a line that can be rightfully described as IPE and GPE. It has to do, fundamentally, with the unique problematic of the operation of the modern economy within a fragmented political system.

ⁱ I gratefully acknowledge the constructive comments on earlier draft of this introduction from Lisa Carlson, Raymond Dacey, Earl Gammon and Duncan Wigan.

ⁱⁱ The term ‘critical tradition’ or ‘traditions’ does not imply (and often indeed is not) analytical or theoretical rigor. The term critical tradition is generally reserved to those studies that take a critical view of the status quo and *explicitly* seek to replace the predominant form of power structures, be they capitalism, industrialisation or the prevailing gender and race power relationships with what they see as more just and equitable social arrangements. The term critical tradition should not be confused with *critical theory*, otherwise known as the Frankfurt school tradition of Marxist thought.

ⁱⁱⁱ States and markets is the title of another famous book, Susan Strange’s (1988). Strange, however, chose this title in irony to convey her criticism of the then reigning orthodoxy in IPE. She deeply regreted her choice as clearly she became associated with the state and market approach to IPE.

^{iv} For discussion see Nitzan and Bichler, chapter five this volume.

^v For an excellent analysis see Screpanti 1998

^{vi} This section draws on Amin and Palan, 2001.